



State of Arizona
Department of Education
Office of Kathy Hoffman
Superintendent of Public
Instruction

TO: Representative Regina Cobb, Chairman, Joint Legislative Budget Committee
FROM: Callie Kozlak, Associate Superintendent, Policy Development and Government Relations
DATE: August 9, 2019
SUBJECT: FY 2020 Empowerment Scholarship Account Program Funding Requirement Estimate

Pursuant to ARS § 15-2403(F), the Department (ADE) shall furnish to the Joint Legislative Budget Committee an estimate of the amount required to fund empowerment scholarship accounts for the following fiscal year.

To that end, the Empowerment Scholarship Account (ESA) Program has prepared the following data:

PROGRAM ENROLLMENT

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
144	302	761	1,311	2,175	3,360	5,042	6,450	8,200

*Estimate for 2019-2020 fiscal year

TOTAL AMOUNT AWARDED

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
\$1,576,000	\$5,209,200	\$10,200,000	\$17,733,700	\$28,590,800	\$44,517,700	\$58,711,200	\$82,611,800	\$110,000,000

*Estimate for 2019-2020 fiscal year

Current & Projected Administrative Spending

A portion of the program funds appropriated by the legislature in FY 2012 were reserved for administrative costs by allowing the retention of up to 5% (4% for ADE and 1% for the State Treasurer's Office) of the funding that would have been generated by each enrollee.

However, the legislature has never funded the program at the full administrative 4% outlined in ARS § 15-2402(C) as funds in the Department of Education Empower Scholarship Account Fund (DEESAF) are subject to legislative appropriation through the budget process pursuant to ARS § 15-2402(D).

ADE ADMINISTRATIVE SPENDING AUTHORITY

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
\$0	\$200,000	\$200,000	\$200,000	\$401,000	\$799,000	\$1,200,000	\$1,200,000	\$1,200,000

*Estimate for 2019-2020 fiscal year

ADE ADMINISTRATIVE FUNDS GENERATED (4%)

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
N/A	\$200,000	\$415,000	\$709,000	\$1,143,000	\$1,978,500	\$2,609,400	\$3,304,472	\$4,400,000

*Estimate for 2019-2020 fiscal year



For FY 2019, the legislature has maintained the administrative funding at \$1,200,000. As the program continues to grow with no additional administrative funding for FY 2020, the Department will be unable to keep up with staffing needs and as a result services to parents will continue to be impacted. The program has been consistently underfunded since its inception, and even at full capacity current staffing levels simply cannot keep up with the increased volume of applications, parent inquiries, expense reporting and other program responsibilities.

ESA Financial Transactions

Laws 2019, Chapter 265, Section 17, required ADE to contract with a third-party administrator to assist in the financial management of the ESA program. ADE collaborated with the State Treasurer's Office to issue a request for proposals on the financial management system and selected ClassWallet to fulfill the statutory requirement. ClassWallet will provide individual accounts to parents on the ESA program in addition to a closed marketplace of pre-approved goods and services. Families utilizing the services ClassWallet provides will have certainty that their purchases are approved and will streamline the expense reporting process. However, it will take time to fully transition over from the current debit card system and set up the closed marketplace.

Funding Needs

In response to the program's growth and to meet both the needs of the parents and students being served, the Department requests the Legislature to fully fund ADE to administer the ESA program. As projected, ADE will only receive 25% of the statutorily mandated monies for administration in FY 2020, however the DEESAF contains a balance of over \$3 million and is projected to double by the end of the next fiscal year. Without an increase in the amount of monies appropriated for ESA administration ADE will be unable to fully meet the needs of families both in the ESA program and those applying for entry into the program. We hope that the legislature will appropriate the full amount of funding to allow ADE to best serve the parents and children enrolled in the program.

Please feel free to contact me with any questions.

